

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL MEETING
MARCH 3 & 4, 2004
DEPARTMENT OF COMMERCE
2ND FLOOR CONFERENCE ROOM
HELENA**

COUNCIL MEMBERS PRESENT

Dave Gibson, Chair	Tony Rudbach
Jim Atchison	Mark Simonich
Kathie Bailey	Representative John Sinrud
Evan Barrett	Senator Mike Sprague
Steve Holland	Paul Tuss
Jane Karas	Linda Twitchell
James Klessens	Anita Varone
	Elaina Zempel

COUNCIL MEMBER ABSENT

Erin Lutts	Senator Don Ryan
Mark Sansaver	Representative Brennan Ryan

GUESTS

Rebecca Clark, Loan Officer, District VI HRDC
Janice Copeland, Loan Officer, Headwaters RC & D Area, Inc.
Connie Daniels, Economic Development Planner, Headwaters RC & D Area, Inc.
Jim Davison, Executive Director, Anaconda Local Development Corporation
Denise Jordan, Loan Officer, District VII HRDC
Bill Lombardi, Strategic Communications
Patricia Murdo, Research Analyst, Legislative Services Division
Sylvia Murray, Loan Officer, Bear Paw Development Corporation
Judith Tilman, Executive Director, Headwaters RC & D Area, Inc.

STAFF

Ann Desch, SBDC State Lead Center Director, Department of Commerce
Gary Morehouse, Bureau Chief, Business Resource Division, Department of Commerce
Quinn Ness, Regional Development Corporation Manager, Department of Commerce
Andy Poole, Division Administrator, Business Resource Division, Department of Commerce
Janice Wannebo, Program Specialist, MicroBusiness Finance Program, Department of Commerce

MINUTES

Gibson called the meeting to order at 12:20 p.m. following lunch. Wannebo proceeded with roll call of the Council members with 12 out of 19 Council members present representing a quorum. Introductions of audience members followed.

Rudbach and Varone questioned if it is clear in the statutes and minutes whether a region is obligated to incorporate counties that might not be included in a CRDC application. It was this Council's understanding to allow counties to split regions based on census blocks with no duplication of services within a region. Ultimately, it is the county's choice to decide which

CRDC region they provide letters of support to in their CRDC application. Rudbach is concerned a county may be left out of a region and felt obligated to include them in a region. Barrett thought a county could opt to be a regional organization but could not split itself. Discussion ensued regarding if a county could split. The administrative rules do not preclude a county government from supporting more than one service region. A county government cannot provide multiple letters of support for the same geographic area. The Department strongly encouraged county governments to consider existing service regions that support other federal and state programs when endorsing CRDC service regions. If a county government has decided it would prefer to split a county into more than one service region, the department will review each proposal on a case-by-case basis and may approve proposals under exceptional circumstances. Council members wanted to ensure the intent of the CRDC program is clearly defined.

Tony Rudbach **MOVED** to approve the minutes as submitted. Evan Barrett **SECONDED** the motion which passed unanimously.

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS (CRDCs)

Quinn Ness distributed the Certified Regional Development Corporations - Program Development Process handout as he referenced the RFP process and the status of the Evaluation Committee's process. The RFP Evaluation Committee includes Dave Gibson, Gary Morehouse, Quinn Ness, Andy Poole and Mark Simonich. The Evaluation Committee had hoped to complete the RFP process by this Council meeting but due to a delay in obtaining requests for clarification from some of the CRDC organizations the Evaluation Committee has not completed the process. Due to State Procurement laws, the Evaluation Committee is not allowed to discuss any detail until the RFP process is completed. Once the RFP Evaluation Committee has reached a consensus they will forward their recommendation to the Department of Commerce Director who will then decide whether to accept the committee's recommendation. Once the Commerce Director has approved the process, the contract negotiations begin and once the contracts are signed funds will be disbursed accordingly by the formula outlined in the program's administrative rules. The terms of each of the CRDC contracts will be seven (7) years with annual reviews conducted by the state to determine if the contractor has complied with program requirements for certification and contract performance. The RFP Evaluation Committee is planning to finalize the CRDC process by the end of March 2004.

Quinn Ness did indicate that twelve (12) proposals were submitted and that (2) two counties were not included in any of the proposals (Flathead and Richland counties). The twelve organizations that submitted proposals are:

1. Bear Paw Development Corporation
2. Beartooth RC&D Area, Inc.
3. Eastern Plains Resource Conservation and Development Area, Inc.
4. Gateway Economic Development Corporation
5. Great Northern Development Corporation
6. Western Rural Development Region (Lake County Community Development Corporation)
7. Headwaters RC&D Area, Inc.
8. Montana Community Development Corporation
9. North Central Economic Development District

10. Northern Rocky Mountain Resource Conservation & Development Area
11. Snowy Mountain Development Corporation
12. Southeastern Montana Development Corporation

Quinn Ness mentioned the timelines below as he explained the RFP process:

- Notice of Adoption of new rules I through VI to implement the Certified Regional Development Corporation Program public hearing on August 28, 2003. Ness pointed out that only one rule was amended concerning county governments not allowed to provide multiple letters of support from the same geographic area;
- Notice of Public Hearing on Proposed Adoption public hearing on September 18, 2003;
- The Administrative Rules were filed with the Secretary of States Office on November 23, 2003;
- The RFP was issued December 9, 2003;
- The deadline to submit proposals to the Department of Administration was January 21, 2004;
- The RFP Evaluation Committee met on February 4, 2004 and reviewed a majority of the proposals with some needing clarification.
- Clarification was needed from some CRDC proposals with a deadline of February 20, 2004;
- Evaluation Committee met again on February 24, 2004 to review the clarifications;
- Oversight by the Department of Administration allowing MCDC to submit additional clarification with a deadline of March 2, 2004;
- The RFP Evaluation Committee met at 10:00 a.m. on March 2, 2004 to discuss the clarifications on the remaining proposals.

Senator Mike Sprague asked if counties are required to be adjacent to each other to form a CRDC region. The Administrative Rules clearly state at a minimum, a service region must include two counties in their entirety. Anita Varone wondered if the Notice of Adoption was difficult to understand and thought it could be interpreted in different ways. Anita thinks our intent is not clear concerning county government support. Simonich indicated the Department does have the authority to change the Administrative Rules to ensure the intent of HB76 is carried through.

Tony Rudbach wondered if Flathead County could still be included in a region or are they out of the process for another year. Simonich indicated that unless they are included under contract in a CRDC region in this process, they would have to wait until January 2005 to be included in a regional organization. Simonich anticipates the Department will find a way to facilitate discussion where counties are not represented under the CRDC program. But until the RFP process is completed, the Department is not allowed to begin those discussions. Mark Simonich distributed a color map outlining the CRDC regions so the Council can visually see the counties within each CRDC region that submitted applications.

Evan Barrett acknowledged the CRDC process was successful even though there were glitches. Evan Barrett questioned if upon successful implementation of the CRDC regions, if this Council will advise how the Treasured Communities would work under the CRDC program. HB76 defines "Treasure Community" as a community that meets and maintains requirements for certification established by the Department and administered by the Certified Regional

Development Corporations. It also states “to be eligible to receive a grant, a Certified Regional Development Corporation shall administer the Treasure Community designation and reporting process for the communities and counties in their region.” Evan Barrett feels this is important for this Council to investigate to determine if there are any solutions. If we are looking at regional capacity building, the Treasure Communities program might be the way to make the regional efforts work. Questions arose concerning maintaining the Treasure Community certification and the statute still exists defining Treasure Communities. This Council should start to think about this since the legislative session is less than a year away. First we need to establish the CRDC regions and then address the Treasure Communities. Simonich believes each community would like to maintain the Treasure Communities certification for different reasons. Once the CRDC certification process is completed, this will be placed on a future agenda for this Council to discuss.

MICROBUSINESS FINANCE PROGRAM

Simonich briefly explained under HB76 the MicroBusiness Advisory Council was abolished and this new Economic Development Advisory Council was created to advise the Department regarding the creation, operation, and maintenance of the MicroBusiness Finance Program and the policies and operations affecting the certified MicroBusiness Development Corporations.

Janice Wannebo give a PowerPoint overview of the Program regarding the structure of the MicroBusiness Finance Program and how it works. The presentation covered the creation of the program in 1991, the MicroBusiness Development Act, the Administrative Rules, the development loan with the MBDCs, cumulative program accomplishments through 12/31/03 and a breakdown of each MBDCs loan portfolio. Copies of the statutes were distributed to the Council for their reference. Simonich indicated the Department recently filed a Notice of Amendment and Repeal to clean up some of the Administrative Rules within the Department of Commerce including statutes dealing with the MicroBusiness Finance Program (i.e. ARM 8.99.401 and 8.99.403). Janice Wannebo will obtain an updated copy of the Administrative Rules for the MicroBusiness Finance Program to distribute to this Council once they are filed with the Secretary of State’s Office. Simonich indicated this Council should first look at making policy revisions and then the Administrative Rules.

Ann Desch explained the previous MicroBusiness Advisory Council’s last meeting was January 15, 2003 and provided the Council with a copy of those minutes. Ann Desch explained the main issues the previous MicroBusiness Advisory Council left off dealing with were: the legislative audit finding, creation of a less cumbersome MBDC re-certification application, renewal of MBDC contracts as they expired, the MBDCs loan loss reserves burden, and the creation of a cost benefit analysis.

Janice Wannebo distributed copies of the current MBDC organizational map (see attached) showing the seven actively lending MBDC regions and a copy of an old map that showed the original twelve (12) MBDC regions and the counties they served. Wannebo continued to explain where the actively lending MBDCs are located, the MBDC that are in the process of repaying their development loans back to the state, and District VI HRDC in Lewistown who has already paid back their loan to the state but has managed to maintain a small revolving loan pool to do some micro-loans in their area.

Wannebo then distributed the 12/31/03 MBDC Quarterly Report (see attached report) and briefly reviewed the data showing program impact, the portfolio quality and financial condition of the MBDCs and loan data just for quarter ending 12/31/03. The funds the Department pays towards MBDC Loan Officer training each fiscal year is also tracked. Wannebo also reviewed the graphs showing comparison of write-offs, delinquencies and allowance for loan losses, average loan size, asset coverage ratio and matching funds remaining, number of loans outstanding and delinquent, each MBDCs loan-out percent, dollars loaned per FTE, jobs created and retained, and the cumulative numbers of loans per region. Also attached to the 12/31/03 MBDC Quarterly Report is each MBDCs Statement of Financial Position (i.e. assets/liabilities and income/expenses). Simonich thinks the state should consider this program as an investment and recognize the risk the MBDCs take in their loan loss reserves.

PERFORMANCE AUDIT

Andy Poole distributed copies of the Legislative Audit Committee's memo dated October 2003, which is a follow-up to the Performance Audit in 2000. Poole pointed out in the first paragraph under the Introduction that the Audit Committee states the MBDCs were not financially self-sustaining as required by the legislature. Poole indicated that back in 1991 under HB 477 which created the MicroBusiness Development Act, the intent was to provide a significant portion of capital for a network of institutions that would, taken together, provide access throughout Montana to small loans for economically sound and feasible micro-business projects that because of the high costs and diseconomies of scale of small lending or unconventional public or private sources. Poole implied the kind of activities and customer base that the legislature expects the MBDCs to serve does not, in all probability, lead to a loan portfolio that will cash flow without additional monetary assistance. The MBDC program serves clients that, taken together, present the highest risk in lending. It is critical to subsidize the MBDC program as part of a larger loan portfolio to help with the costs associated with operating the program.

Poole then referred to the last page of the memo that summarizes the Legislative Audit Findings with three (3) options the legislature should consider:

1. The program could continue to operate and be given more time to see if the department's changes eventually improve how effectively the program operates.
2. The program could be eliminated and all MBDCs and/or their umbrella agencies be required to pay back all development loans and continue to collect outstanding micro-loans until fully collected.
3. The MicroBusiness Development Act could be amended eliminating the need to use local MBDCs to make micro-loans. Instead, the program could make funding available to local banks to make micro-loans to borrowers. This could potentially improve the quality of loans that are made.

Even though Andy Poole researched the initial intent of the program stated in HB 477, the Legislative Audit Committee still maintains that 17-6-407, MCA states "the criteria used by the department to make development loans to a certified MBDC will include the criteria required for certification as an MBDC as set forth in ARM 8.99.404 plus the following additional requirements...(2) (a) financial stability and sources and sufficiency of operating income of the MBDCs".

The Department does not believe the Legislative Audit Committee will act on their three (3) options during the next legislative session. Council members asked the Department what happens next? Simonich indicated the Legislative Auditors make their recommendations, the Department can agree or disagree with the findings, the auditors track their recommendations to ensure they are implemented. Rarely is legislation brought forward for change to statutes. It would be up to the Department to carry forward legislation. The Audit Committee usually does not bring forward legislation as a result of an audit. The Economic Development Advisory Council would like to be prepared with a response to this October 2003 audit follow-up. Representative John Sinrud indicated that he serves on the Appropriations Committee and does not feel this will be an issue, since the Department has implemented seven out of nine recommendations and two are currently being worked on.

MICROBUSINESS OF THE YEAR AWARD

Wannebo explained the previous MicroBusiness Advisory Council created the MicroBusiness of the Year Award as a way to recognize micro-businesses that manage to stay current on their micro-loans while showing potential in areas established in the criteria to be scored. Wannebo distributed a copy of the MicroBusiness of the Year nomination form that is mailed to the MBDCs each April with a deadline to submit their nomination by September of each year. The nomination form explains the scoring criteria used and is designed to take into consideration a business' growth along with the hard work and dedication put forth by the business owner. The micro-business that is nominated must have been current on their micro-business loan for the past 12 months (a current loan is defined as one that is not more than 30 days past due or paid in full with no prior defaults). Wannebo briefly reviewed the criteria which includes number of employees at the time of opening the loan compared to when the loan is nominated, sales volume, wages paid, net income, innovativeness of product or service offered, response to adversity, contributions to their community, and sustainability. As an incentive to submit a nomination, the MBDC that submits the award nomination receives \$500 and the micro-business winner receives \$500. Wannebo explained that previously members from the MicroBusiness Advisory Council formed a subcommittee that annually reviews the scoring criteria to ensure the award process is properly structured and then scores the nominations. Between the elimination of the MicroBusiness Advisory Council and the establishment of this new Economic Development Advisory Council, staff within the Department of Commerce Business Resource Division scored the nominations to determine the 2003 MicroBusiness of the Year recipient. Three nominations were received as follows:

1. D & J, Inc. in Harrison, nominated by Headwaters RC&D Area, Inc. located in Butte.
2. Stellar Computer Consulting in Havre, nominated by Bear Paw Development Corporation also located in Havre.
3. Favorite Finds in Glasgow, nominated by Great Northern Development Corporation located in Wolf Point.

Wannebo proceeded to announce that the 2003 MicroBusiness of the Year winner is D & J, Inc. in Harrison. D & J received a total of 200 out of 300 points. The award ceremony will take place at 8:30 a.m. tomorrow, March 4, 2004 at the Department of Commerce. Governor Judy Martz will be presenting the award with Lieutenant Governor Karl Ohs also attending since he is a close family friend of the winners. Council members are encouraged to be here at 8:30 a.m. for the ceremony. The MicroBusiness Technical Assistance Program (MTAP) was also presenting their 2004 Business Plan of the Year award during the MicroBusiness of the Year ceremony.

Wannebo explained that this Council could continue with the MicroBusiness of the Year Award ceremony in the future if they so desire. If so, they should consider forming a subcommittee that would take over the responsibilities of scoring the nominations. Wannebo works closely with the subcommittee by providing administrative support and indicated the subcommittee normally meets via conference call at the expense of the Department. Economic Development Council members unanimously agreed to continue with the awards ceremonies. Gibson indicated a form will be distributed during this meeting to Council members to rank which subcommittee(s) they are interested in serving on.

NATIONAL DEVELOPMENT COUNCIL (NDC) TRAINING

Wannebo distributed a draft of the NDC Training brochure to Council members for their reference. The Department is bringing National Development Council's (NDC) Economic Development Finance Professional Certification program to Montana. This certification is a four-part training series:

1. ED 101 – Economic Development Finance
2. ED 201 – Business Credit Analysis
3. ED 202 – Real Estate Finance
4. ED 300 – The Art of Deal Structuring

Normally this training is held in larger cities at a registration cost of \$950 per series plus lodging expenses. The Department has managed to keep the registration costs for the 1st series down to \$650. ED101 is scheduled for May 24-28, 2004 at the Wingate Inn in Bozeman. The deadline to register for the training is April 16, 2004. The Department will schedule the training in various locations throughout the state (i.e. Bozeman, Helena, Missoula & Billings) to minimize traveling distances throughout the series. Other organizations such as the Montana Economic Developers Association (MEDA), the Governor's Office of Economic Opportunity, the Montana Community Finance Corporation, First Interstate Bank and USDA Rural Development has contributed substantial amounts to keep the costs down associated with bringing this nationally recognized training to Montana. The Department may require newly formed CRDCs that do not have a lot of economic development experience in their organization to also attend this training as part of their contractual requirement. A maximum of 55 participants will be allowed for each series. Colleagues from Wyoming, North and South Dakota, and Idaho have also been invited to this training.

Gibson recessed the meeting at 4:50 p.m. and reminded Council members to attend the awards ceremony at 8:30 a.m. Gibson indicated the Council meeting will reconvene at approximately 9:15 a.m. following the awards ceremony.

MICROBUSINESS OF THE YEAR AWARD CEREMONY

Governor Judy Martz and Lieutenant Governor Karl Ohs presented both the 2003 MicroBusiness of the Year Award to owners Keith & Kimberly Dykman of D & J, Inc. in Harrison and the NxLevel Business Plan of the Year Award to Rob Kaufmann of Kaufmann Overhead Doors in Bozeman. Attending the ceremony were Advisory Council members, family members of the winners, and host agency representatives involved in the award process.

Gibson called the meeting to order at 9:15 a.m. following the awards ceremony. Roll call was done by Wannebo to ensure a quorum was present.

MBDC CERTIFICATION PROCESS

Wannebo distributed copies of the current MBDC re-certification application to the Council for their review. There are two types of MBDC applications: new MBDC certification and re-certification of an existing MBDC. The MBDC re-certification application guidelines require the organization to submit applicant information, a checklist, an overview of micro-enterprise development strategies, and a comprehensive business plan. Both MBDCs and Council members agree the re-certification application could be more streamlined since their initial MBDC application already contained the above data on the MBDC organization. The Department is required to notify the MBDC in writing at least (90) ninety days prior to the expiration of the loan agreement of its intent to renew and/or require repayment of the development loan. Wannebo indicated that previously subcommittees of the MicroBusiness Advisory Council members were formed to review and score the application(s). Once the application(s) are scored, the subcommittee submits their written recommendation to the Department Director for final approval. Administrative Rule 8.99.504 states the development loans shall be renewable at intervals of no more than four years. Simonich indicated the MBDC regions may not match with the CRDC regions and the re-certification process gives the Department a chance to look at the statewide picture including re-allocation of micro-loan funds. Council members agreed that the CRDC certification process might be an option for MBDC re-certification and suggested they could be dovetailed.

Wannebo explained that any MBDC contracts that were expiring during the CRDC process were extended until October 2004 to allow adequate time for the CRDC regions to be established. Montana Community Development Corporation in Missoula and Great Northern Development Corporation in Wolf Point and Gateway Economic Development Corporation in Helena were scheduled for renewal and all three (3) were extended until October 2004. District VI HRDC in Lewistown and Enterprise Opportunities, Inc. in Glendive contracts expired and were not renewed by the Department since they opted out of the program back in 1998-99. The three (3) MBDC contracts mentioned above are scheduled to expire in October 2004. A subcommittee of interested Council members will be created to review and streamline the scoring criteria. Wannebo will provide administrative support to this subcommittee and conduct the meetings via conference call. Once the Council members are assigned to this subcommittee, she will work closely with them to streamline the application process prior to beginning the re-certification process this fall.

ALLOCATION OF FUNDS

Wannebo explained that within the state special revenue fund a micro-business development loan account was established for funds appropriated from the Coal Tax Trust Fund along with money received in repayment of the principal of development loans. Currently the development loan fund has \$427,879 available to lend to new or existing MBDCs. Wannebo referenced the 12/31/03 Quarterly Report that shows each MBDC's loan-out rate ranging from 32% to 65%. Some MBDCs have been reporting low loan-out rates over many quarters. The way the current prime rates are structured the MBDCs do not make any interest on the un-loaned funds in their bank and should consider returning a portion of their development loan back to the state to help build up the pool so other regions could benefit from this program. An MBDC would be able to

get those funds back in the future if they could show an increased demand for the funds back in their region.

Wannebo also indicated the MBDCs would like the Department to consider lowering the 2.75% interest charged to them quarterly. The quarterly payments made by the MBDCs are used to fund the MicroBusiness Finance Program including the Advisory Council meetings and administrative support for that Council, loan documentation software, \$10,000 towards MBDC Loan Officer work-related training, and various other expenses incurred under this Program.

Wannebo referenced the current MBDC map showing “white” regions where previous MBDC organizations have opted out of the program and currently have no local MBDC organization servicing the region. In the Great Falls area, High Plains Financial, Inc. has written to the Department concerning their interest in taking over Opportunities, Inc. micro-loan portfolio. Other organizations in Lewistown and Bozeman are also interested in administering this program. With only \$427,879 in the loan fund pool, it would be difficult to adequately fund a new MBDC organization. Therefore, if funds were reallocated from other MBDCs that have had historically low loan-out rates, new MBDC organizations could receive enough funds to adequately administer the program. Council members questioned whether the Department could ask the Legislature for more funds. Representative John Sinrud indicated that unless the Department could justify the request for additional funds, in all likelihood, with the current economy, it would not be approved during this next legislative session.

TECHNICAL ASSISTANCE PROVIDERS

Desch explained to the Council that there are four (4) programs within the Montana Department of Commerce that provide technical assistance to small businesses owners throughout the state. There are other technical assistance programs such as the Montana Department of Commerce Regional Development Program but these are the programs under the control of the Small Business Development Center:

- 1) Small Business Development Centers (SBDCs);
- 2) MicroBusiness Technical Assistance Program (MTAP);
- 3) Small Business Innovative Research (SBIR);
- 4) MicroBusiness Development Centers (MBDCs).

The SBDC, MTAP and SBIR Programs all receive federal funding from SBA. The MBDCs receive funding from the Department of Commerce using appropriations from the Coal Tax Trust Fund. The technical assistance these programs provide is usually one-on-one counseling and training.

Small Business Development Centers (SBDCs)

Desch explained the lead center and ten (10) SBDC sub-centers receive a total of \$500,000 in federal funding and are required to provide a \$1:\$1 match that is provided by the Department of Commerce and local host organizations. Evan Barrett asked how to get more productivity from the SBDC counselor instead of them spending their time completing quarterly reports. Desch indicated that each sub-center receives \$40,000 to provide the services in their region. The SBDC Lead Center is always looking at counselor productivity but the reality is there is only one SBDC counselor responsible for covering a large area requiring extensive travel to reach their client(s). Evan Barrett suggested the SBDC Lead Center investigate the paperwork involved in

reporting to determine if there are ways to get more productivity without increasing their financial resources. Simonich believes having this Council involved in this issue is a good idea. Anything the Department can do at the state level to reduce these reporting burdens benefits everyone. Desch also indicated that the ASBDC is also working on this issue at the national level. Desch reported that the SBDC Lead Center has been collecting a little more data from the SBDC counselors due to recent accreditation requirements, and eventually collecting this additional information should diminish. The SBDC accreditation is important to the state otherwise the state would lose \$500,000 of federal funding. Gibson asked exactly what do we get from the federal government besides the \$500,000 because it sounds as though we are subjecting ourselves to more than \$500,000 in the reporting requirements. Desch indicated that without the federal funds, there would be no money to fund the sub-centers and no service at the local level. The money is used to pay for each SBDC Director to counsel business clients. The state can't fund the SBDC program without the federal money. Desch distributed a "Profile of SBDC Service Areas" handout showing the counties and demographics for each SBDC service area, the square miles, population of the region, the unemployment rate using the 2000 Census, regional industries, regional business density and 2002 highlights. Desch also distributed a handout graphically showing the 2004 SBDC budget, 2003 impact numbers and data on the type of businesses and training. The SBDC regional map was also distributed for their review. Desch pointed out that the ten (10) regions defined in each SBDC sub-center contract covers different regional boundaries compared to the CRDC regions. Andy mentioned that ultimately, the SBDC program should have twelve (12) sub-center regions to coincide with each designated CRDC, but until there is adequate funding there is no financial way to create the additional two SBDC sub-centers.

Kathie Bailey asked what ability this Council has to look at the structure of the SBDC sub-centers? This was not answered. Senator Sprague asked how the public knows these programs exist? Desch indicated this is an issue and we need to promote locally and at the state level. Council members suggested working with the Department of Revenue to market the program by including information on their mailings that explain what the program offers. The SBDCs locally contact individuals to get the word out. Commerce is working on their website to make it user friendly. Representative Sinrud stated business owners need to take the initiative to look for these programs if they are interested enough to pursue these resources. Simonich indicated the number of programs in Montana are extensive and confusing and that is why he thinks the concept behind the CRDC program will begin to pool these programs together so the businesses have the ability to find the services easier.

Small Business Innovative Research (SBIR)

Desch explained that the Small Business Innovative Research (SBIR) program located under the SBDC Lead Center at the Department of Commerce managed by Linda Brander helps Montana-based companies compete for more than one billion dollars in federal grants earmarked to fund small business research and development. The SBIR program is currently looking at private funding due to cutbacks at the federal level.

Tony Rudbach explained that the SBIR is a three-phased program, two of which are funded by SBIR grants or contracts. Phase 1 awards fund research to demonstrate the technical feasibility of the concept and typically ranges from \$50,000 to \$100,000 and are intended to fund work over a six-month period. Phase 2 is open only to those who have been awarded Phase 1 funding and range from \$200,000-\$750,000 and are intended to fund work up to 24 months. Phase 3 does not

have funds available as it is the culmination of the work done in Phase 1 & 2. Those grants and contract are awarded only to those who demonstrate the marketability of their concepts and their ability to complete the commercialization process. The SBIR program helps business owners by providing free counseling to guide a company through the proposal development and commercialization planning process, offers seminars to help innovators understand how the SBIR program operates and whether it is a good fit for the company, publishes a monthly newsletter that features profiles of past SBIR winners, competition tips from industry experts and sponsors a grant program that helps a company defray the costs of developing a Phase 1 proposal.

MicroBusiness Technical Assistance Program (MTAP)

Ann Desch introduced Philip Belangie, Program Manager, of the MicroBusiness Technical Assistance Program (MTAP). Belangie distributed the 2003 Statistics for the MTAP Program handout that summarizes his program accomplishment from January 1, 2003 through December 31, 2003. Belangie briefly explained that the NxLevel™ Program offers three types of curriculum, NxLevel for Entrepreneurs, NxLevel for Micro-Entrepreneurs and “Tilling the Soil of Opportunity” a NxLevel guide for agricultural entrepreneurs. Each course is very different and reflects the local community business climate where it is taught. The course is a 15-week program costing approximately \$325. These courses are usually full. MTAP also assists hard to serve people, such as the disabled, Native Americans, and/or income that are 180% of poverty. The quality of the program is based on quality instructors from people who have business experience and the guest speakers (i.e. attorneys, CPAs, chief executive & financial officers, marketing professionals and successful entrepreneurs) from within the business community and usually involves a networking component. Belangie routed the NxLevel curriculum book for the Council’s review.

Belangie also distributed a copy of the business plan created by the 2004 Business Plan of the Year winner, Ron Kaufmann of Kaufmann Overhead Doors in Bozeman that was presented at the awards ceremony yesterday.

SUBCOMMITTEES

Gibson distributed a form for Council members to choose which of the subcommittee(s) they are interested in serving on for the MicroBusiness Finance Program (Certification, Program Policy, and the Awards Committees). Council members were instructed to complete the form and submit them within two weeks to Janice Wannebo.

Rosalie Sheehy-Cates thanked all of the Department of Commerce staff for their professionalism working with the local organizations.

Paul Tuss asked Dave Gibson about the current newspaper articles that are reporting that the Montana Board of Regents and the Montana University System are making a concerted effort to expand the university system’s role in economic development. Gibson explained the timelines and benchmarks that have been established for moving this effort forward. Action items identified were: access to 2-year, 4-year and advanced degree education, worker training, technology transfer, entrepreneurship and small business development, partners in state government, and generating direct economic growth. These action items will be prioritized during the May 2004 meeting. The university system plays a significant role in generating direct economic growth and this initiative will evaluate the direct economic benefits of changing

policies and priorities of the university system to increase this economic benefit for Montana. Gibson reported they are currently soliciting people who have some expertise or interest in one of these six topic areas and can dedicate time to help develop preliminary action plans within the areas. Economic Development Advisory Council members interested in this endeavor should contact Gibson concerning their interest.

Senator Mike Sprague questioned confidentiality dealing with these projects at the university. Tony Rudbach indicated confidentiality agreements are in place and are tight enough to protect the new idea and/or intellectual property. The Department of Commerce has been working with their Legal Counsel to create a form that would protect the businesses also.

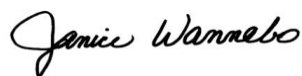
NEXT MEETING

Due to the pending Certified Regional Development Corporations (CRDCs) formation, Simonich and Gibson felt this Council should meet sometime in mid July 2004 to allow adequate time for the CRDC process to be completed. Wannebo will work with Council members to determine the best date and time for the next meeting to ensure a quorum is in attendance.

Simonich indicated the Legislature is beginning the EPP process and looking at Commerce's budget. Commerce will plan to submit a placeholder to include possible legislative changes for the MicroBusiness Program. The Economic Affairs Interim Committee meets on March 12, 2004 at 8:30 a.m. Some Council members may be interested in attending the interim meeting.

James Klessens proposed the Council think about putting into the statute a statement of purpose that clearly defines the CRDC purpose. It is in the administrative rules but not clear in the statute. It was explained that the administrative rules have the force and effect of law.

The meeting adjourned at 11:40 a.m.



Respectfully Submitted